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AGENDA ITEM 3

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

I. SUBJECT: First Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and His Direct Reporting Staff

II. PROGRAM: Administration

III. RECOMMENDATIONS: Recommend the Board Accept First Quarter Status Reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and His Direct Reporting Staff

Recommend that the Board Approve Changes in the Performance Plans of the Chief Actuary; Senior Investment Officer, Global Equities; and Senior Investment Officer, Global Fixed Income

IV. ANALYSIS:

The Compensation Policies and Procedures provide that, at the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Attached are the quarterly status reports for the first quarter of the 2005-2006 Fiscal Year for the Chief Executive Officer, Chief Actuary, Chief Investment Officer and the Senior Investment Officers.

Quarterly status reports provide a means for informing the Committee of progress toward achieving the quantitative and qualitative measures in the performance plans. If needed, performance measures may be added, amended or deleted as part of the quarterly review process. Changes proposed in the plan of the Senior Investment Officer, Global Equities, modify the incentive plan to reflect total Global Equity and capital allocation performance as opposed to individual portfolio performance. The change proposed in the incentive schedule of the Senior Investment Officer, Global Fixed Income, updates the Credit

Enhancement performance measure to reflect the change in focus on the program's earnings rather than on volume. The changes proposed in the Chief Actuary's Enterprise Wide Technology Projects measure are non-substantive and make the language of the measure consistent with that of other CalPERS executives collaborating on this project.

V. STRATEGIC PLAN:

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer - Operations

Attachments

**Quarterly Incentive Plan Status Reports
First Quarter 2005-2006 Fiscal Year**

The FY 2005-06 first quarter status reports are presented in the following order:

<u>Position</u>	<u>Current Incumbent</u>
Chief Executive Officer	Fred Buenrostro
Chief Actuary	Ron Seeling
Chief Investment Officer	Mark Anson
Senior Investment Officer, Alternative Investments	Leon Shahinian
Senior Investment Officer, Asset Allocation and Risk Management	Pat Pinkos
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equities	Christy Wood
Senior Investment Officer, Real Estate	Michael McCook